

**ARIZONA CORPORATION COMMISSION**  
**UTILITIES DIVISION**

**ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY**

W

**W-03720A**  
**Water Utility of Northern Scottsdale, Inc**  
**3800 N. Central Ave., Suite 770**  
**Phoenix, AZ 85012**

**RECEIVED**

APR 18 2006

AZ CORPORATION COMMISSION  
DIRECTOR OF UTILITIES

**ANNUAL REPORT**

**FOR YEAR ENDING**

<b>12</b>	<b>31</b>	<b>2005</b>
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FOR COMMISSION USE

<b>ANN04</b>	<b>05</b>
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entered  
4-19-06  
RF

## COMPANY INFORMATION

<b>Company Name (Business Name)</b> <u>Water Utility of Northern Scottsdale, Inc.</u>		
<b>Mailing Address</b> <u>3800 N. Central Ave. Suite 770</u>		
<u>Phoenix</u> (City)	<u>AZ</u> (State)	<u>85012</u> (Zip)
<u>602-224-0711</u> Telephone No. (Include Area Code)	<u>602-224-5455</u> Fax No. (Include Area Code)	<u>602-725-0889</u> Pager/Cell No. (Include Area Code)
<b>Email Address</b> <u>johnmihlikjr@wmcwater.com</u>		
<b>Local Office Mailing Address</b> <u>201 E. Coronado St.</u>		
<u>Buckeye</u> (City)	<u>AZ</u> (State)	<u>85326</u> (Zip)
<u>623-386-4252</u> Local Office Telephone No. (Include Area Code)	<u>623-386-6638</u> Fax No. (Include Area Code)	<u>623-764-1952</u> Pager/Cell No. (Include Area Code)
<b>Email Address</b> <u>robert@wmcwater.com</u>		

## MANAGEMENT INFORMATION

<b>Management Contact:</b> <u>John Mihlik</u>		<u>CFO</u>	
(Name)		(Title)	
<u>3800 N. Central Ave. Suite 770</u> (Street)	<u>Phoenix</u> (City)	<u>AZ</u> (State)	<u>85012</u> (Zip)
<u>602-244-0711</u> Telephone No. (Include Area Code)	<u>602-224-5455</u> Fax No. (Include Area Code)	<u>602-725-0889</u> Pager/Cell No. (Include Area Code)	
<b>Email Address</b> <u>johnmihlikjr@wmcwater.com</u>			
<b>On Site Manager:</b> <u>Robert Garcia</u>			
(Name)			
<u>201 E. Coronado St.</u> (Street)	<u>Buckeye</u> (City)	<u>AZ</u> (State)	<u>85326</u> (Zip)
<u>623-386-4252</u> Telephone No. (Include Area Code)	<u>623-386-6638</u> Fax No. (Include Area Code)	<u>623-764-1952</u> Pager/Cell No. (Include Area Code)	
<b>Email Address</b> <u>robert@wmcwater.com</u>			

☒ Please mark this box if the above address(es) have changed or are updated since the last filing.

**Statutory Agent:**John F. Goodson

(Name)

2025 N. 3<sup>rd</sup> St.

(Street)

Phoenix

(City)

AZ

(State)

85004

(Zip)

602-252-5110

Telephone No. (Include Area Code)

602-257-1883

Fax No. (Include Area Code)

602-252-5823

Pager/Cell No. (Include Area Code)

**Attorney:**Bill Sullivan

(Name)

2712 N. 7<sup>th</sup> St.

(Street)

Phoenix

(City)

AZ

(State)

85006

(Zip)

602-248-0372

Telephone No. (Include Area Code)

602-266-8290

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.**OWNERSHIP INFORMATION**

Check the following box that applies to your company:

☐ Sole Proprietor (S)☒ C Corporation (C) (Other than Association/Co-op)☐ Partnership (P)☐ Subchapter S Corporation (Z)☐ Bankruptcy (B)☐ Association/Co-op (A)☐ Receivership (R)☐ Limited Liability Company☐ Other (Describe) \_\_\_\_\_**COUNTIES SERVED**

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE☐ COCHISE☐ COCONINO☐ GILA☐ GRAHAM☐ GREENLEE☐ LA PAZ☒ MARICOPA☐ MOHAVE☐ NAVAJO☐ PIMA☐ PINAL☐ SANTA CRUZ☐ YAVAPAI☐ YUMA☐ STATEWIDE

**COMPANY NAME**

Water Utility of Northern Scottsdale, Inc.

**UTILITY PLANT IN SERVICE**

<b>Acct. No.</b>	<b>DESCRIPTION</b>	<b>Original Cost (OC)</b>	<b>Accumulated Depreciation (AD)</b>	<b>O.C.L.D. (OC less AD)</b>
301	Organization			
302	Franchises			
303	Land and Land Rights	27,877	0	27,877
304	Structures and Improvements	20,000	999	19,001
307	Wells and Springs	130,000	6,494	123,506
311	Pumping Equipment	179,610	33,677	145,933
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	182,972	6,093	176,879
331	Transmission and Distribution Mains	601,108	14,756	586,352
333	Services	35,783	1,023	34,760
334	Meters and Meter Installations	6,924	531	6,392
335	Hydrants	61,258	1,297	59,961
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>	<b>1,245,532</b>	<b>64,869</b>	<b>1,180,663</b>

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME

Water Utility of Northern Scottsdale, Inc.

**CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR**

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2) SLHY	Depreciation Expense (1x2)
301	Organization		0%	
302	Franchises		0%	
303	Land and Land Rights	27,877	0%	
304	Structures and Improvements	20,000	3.33%	666
307	Wells and Springs	130,000	3.33%	4,329
311	Pumping Equipment	179,610	12.50%	22,451
320	Water Treatment Equipment		3.33%	
330	Distribution Reservoirs and Standpipes	182,972	2.22%	4,062
331	Transmission and Distribution Mains	601,108	2.00%	10,383
333	Services	35,783	3.33%	809
334	Meters and Meter Installations	6,924	8.33%	387
335	Hydrants	61,258	2.00%	958
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>	<b>1,245,532</b>		<b>44,045</b>

This amount goes on the Comparative Statement of Income and Expense \_\_\_\_\_  
 Acct. No. 403.

**BALANCE SHEET**

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>ASSETS</b>		
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash	\$ 4,077	\$ 1,330
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	839	0
146	Notes/Receivables from Associated Companies	20,999	60,715
151	Plant Material and Supplies		
162	Prepayments	277	0
174	Miscellaneous Current and Accrued Assets	7,396	2,591
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	\$ 33,588	\$ 64,636
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	\$ 1,027,038	\$ 1,245,532
103	Property Held for Future Use		
105	Construction Work in Progress	0	0
108	Accumulated Depreciation – Utility Plant	(20,824)	(64,869)
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	<b>TOTAL FIXED ASSETS</b>	\$ 1,006,214	\$ 1,180,663
	<b>TOTAL ASSETS</b>	\$ 1,039,801	\$ 1,245,299

**NOTE:** The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

<b>COMPANY NAME</b>	Water Utility of Northern Scottsdale, Inc.
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**BALANCE SHEET (CONTINUED)**

<b>Acct. No.</b>		<b>BALANCE AT BEGINNING OF YEAR</b>	<b>BALANCE AT END OF YEAR</b>
	<b>LIABILITIES</b>		
	<b>CURRENT LIABILITES</b>		
231	Accounts Payable	\$ 0	\$ 0
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	1,620	2,910
236	Accrued Taxes	87	848
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	1,573	4,372
	<b>TOTAL CURRENT LIABILITIES</b>	\$ 3,280	\$ 8,130
	<b>LONG-TERM DEBT (Over 12 Months)</b>		
224	Long-Term Notes and Bonds	\$	\$
	<b>DEFERRED CREDITS</b>		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	1,030,088	1,246,272
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	<b>TOTAL DEFERRED CREDITS</b>	\$ 1,030,088	\$ 1,246,272
	<b>TOTAL LIABILITIES</b>	\$ 1,033,368	\$ 1,254,401
	<b>CAPITAL ACCOUNTS</b>		
201	Common Stock Issued	\$ 2,000	\$ 2,000
211	Paid in Capital in Excess of Par Value	0	0
215	Retained Earnings	4,433	(11,102)
218	Proprietary Capital (Sole Props and Partnerships)		
	<b>TOTAL CAPITAL</b>	\$ 6,433	\$ (9,102)
	<b>TOTAL LIABILITIES AND CAPITAL</b>	\$ 1,039,801	\$ 1,245,299

**COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 14,262	\$ 29,421
460	Unmetered Water Revenue		
474	Other Water Revenues	880	1,205
	<b>TOTAL REVENUES</b>	<b>\$ 15,142</b>	<b>\$ 30,626</b>
	<b>OPERATING EXPENSES</b>		
601	Salaries and Wages	\$	\$
610	Purchased Water		
615	Purchased Power	3,534	4,087
618	Chemicals		
620	Repairs and Maintenance	100	962
621	Office Supplies and Expense	609	845
630	Outside Services	2,064	4,656
635	Water Testing	769	743
641	Rents		
650	Transportation Expenses		
657	Insurance – General Liability		
659	Insurance - Health and Life		
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	455	501
403	Depreciation Expense	20,824	44,045
408	Taxes Other Than Income		
408.11	Property Taxes	11	1,312
409	Income Tax	(4,629)	(10,796)
	<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 23,738</b>	<b>\$ 46,355</b>
	<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (8,596)</b>	<b>\$ (15,729)</b>
	<b>OTHER INCOME/(EXPENSE)</b>		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income	0	0
426	Miscellaneous Non-Utility Expenses	0	200
427	Interest Expense	0	(6)
	<b>TOTAL OTHER INCOME/(EXPENSE)</b>	<b>\$ 0</b>	<b>\$ 194</b>
	<b>NET INCOME/(LOSS)</b>	<b>\$ (8,596)</b>	<b>\$ (15,535)</b>



**COMPANY NAME**

Water Utility of Northern Scottsdale, Inc.

**SUPPLEMENTAL FINANCIAL DATA****Long-Term Debt**

	<b>LOAN #1</b>	<b>LOAN #2</b>	<b>LOAN #3</b>	<b>LOAN #4</b>
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principal	\$	\$	\$	\$

Meter Deposit Balance at Test Year End

\$20,558

Meter Deposits Refunded During the Test Year

\$705

COMPANY NAME

Water Utility of Northern Scottsdale, Inc.

**WATER COMPANY PLANT DESCRIPTION****WELLS**

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-565172 (Granite Mtn.)		80	1,000	8	2	2001
55-586186 (Granite Mtn.)		80	1,000	8	2	2002
55-583777 (Rio Mtn.)	New-Inactive	80		8		2004

\* Arizona Department of Water Resources Identification Number

**OTHER WATER SOURCES**

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
	2	20	
	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
250,000	1	5,000	1

COMPANY NAME

Water Utility of Northern Scottsdale, Inc.

**WATER COMPANY PLANT DESCRIPTION (CONTINUED)****MAINS**

Size (in inches)	Material	Length (in feet)
2	PVC	
3	PVC	
4	PVC	
5		
6	PVC	
8	PVC	
10	PVC	
12		

**CUSTOMER METERS**

Size (in inches)	Quantity
5/8 X 3/4	40
3/4	
1	
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

For the following three items, list the utility owned assets in each category.

**TREATMENT EQUIPMENT:**

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**STRUCTURES:**

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**OTHER:**

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**COMPANY NAME:**

Water Utility of Northern Scottsdale, Inc.

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2005**

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLON PUMPED (Thousands)
JANUARY	15	179	204
FEBRUARY	16	131	163
MARCH	22	53	63
APRIL	24	129	263
MAY	25	176	229
JUNE	27	265	236
JULY	27	370	409
AUGUST	29	389	434
SEPTEMBER	32	334	353
OCTOBER	36	577	445
NOVEMBER	37	401	661
DECEMBER	40	340	414
TOTAL		3,344	3,874

**Is the Water Utility located in an ADWR Active Management Area (AMA)?**☒ Yes☐ No**Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?**☐ Yes☒ No**If yes, provide the GPCPD amount: \_\_\_\_\_****What is the level of arsenic for each well on your system. see below mg/l***(If more than one well, please list each separately.)*ADWR #55-565172 (Granite Mtn.) .006 mg/lADWR #55-586186 (Granite Mtn.) <.002 mg/lADWR #55-583777 (Rio Mtn.) .002 mg/l***Note: If you are filing for more than one system, please provide separate data sheets for each system.***

**COMPANY NAME** Water Utility of Northern Scottsdale, Inc. **YEAR ENDING 12/31/2005**

**PROPERTY TAXES**

Amount of actual property taxes paid during Calendar Year 2005 was: \$ 662

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**VERIFICATION  
AND  
SWORN STATEMENT  
Taxes**

**RECEIVED**

APR 18 2006

AZ CORPORATION COMMISSION  
DIRECTOR OF UTILITIES

**VERIFICATION**

STATE OF AZ

I, THE UNDERSIGNED  
OF THE

COUNTY OF (COUNTY NAME) <b>Maricopa</b>
NAME (OWNER OR OFFICIAL) TITLE <b>J. John Mihlik - President</b>
COMPANY NAME <b>Water Utility of Northern Scottsdale, Inc.</b>

**DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION**

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2005

**HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.**

**SWORN STATEMENT**

**I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.**

**I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.**



SIGNATURE OF OWNER OR OFFICIAL

602-224-0711

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

18th

DAY OF

COUNTY NAME <b>Maricopa</b>	
MONTH <u>April</u>	2006

(SEAL)

MY COMMISSION EXPIRES



**JILL KARPINSKI**  
Notary Public - Arizona  
Maricopa County  
Expires 04/15/06

  
SIGNATURE OF NOTARY PUBLIC

COMPANY NAME Water Utility of Northern Scottsdale, Inc. YEAR ENDING 12/31/2005

**INCOME TAXES**

For this reporting period, provide the following:

Federal Taxable Income Reported	<u>27,756</u>
Estimated or Actual Federal Tax Liability	<u>9,437</u>

State Taxable Income Reported	<u>29,835</u>
Estimated or Actual State Tax Liability	<u>2,079</u>

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances	<u>0</u>
Amount of Gross-Up Tax Collected	<u>0</u>
Total Grossed-Up Contributions/Advances	<u>0</u>

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

**CERTIFICATION**

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

  
\_\_\_\_\_  
SIGNATURE

4/15/06  
\_\_\_\_\_  
DATE

J. John Mihlik  
\_\_\_\_\_  
PRINTED NAME

President  
\_\_\_\_\_  
TITLE

**VERIFICATION  
AND  
SWORN STATEMENT  
Intrastate Revenues Only**

**RECEIVED**

APR 18 2006

AZ CORPORATION COMMISSION  
DIRECTOR OF UTILITIES

**VERIFICATION**

STATE OF AZ

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)
<u>Maricopa</u>
NAME (OWNER OR OFFICIAL) TITLE
<u>J. John Mihlik</u>
COMPANY NAME
<u>Water Utility of Northern Scottsdale, Inc.</u>

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION**

**FOR THE YEAR ENDING**

MONTH	DAY	YEAR
12	31	2005

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**


IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2005 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 32,390

(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 1,764  
IN SALES TAXES BILLED, OR COLLECTED)

**\*\*REVENUE REPORTED ON THIS PAGE MUST  
INCLUDE SALES TAXES BILLED OR  
COLLECTED. IF FOR ANY OTHER REASON,  
THE REVENUE REPORTED ABOVE DOES NOT  
AGREE WITH TOTAL OPERATING REVENUES  
ELSEWHERE REPORTED, ATTACH THOSE  
STATEMENTS THAT RECONCILE THE  
DIFFERENCE. (EXPLAIN IN DETAIL)**

  
\_\_\_\_\_  
SIGNATURE OF OWNER OR OFFICIAL  
602-224-0711  
\_\_\_\_\_  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 18th DAY OF


COUNTY NAME	<u>Maricopa</u>
MONTH	<u>April</u>
	<u>2006</u>

(SEAL)

MY COMMISSION EXPIRES



**JILL KARPINSKI**  
Notary Public - Arizona  
Maricopa County  
Expires 04/15/06

  
\_\_\_\_\_  
SIGNATURE OF NOTARY PUBLIC



RECEIVED

APR 18 2005

ARIZONA CORPORATION COMMISSION  
DIRECTOR OF UTILITIES

**VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE  
INTRASTATE REVENUES ONLY**

**VERIFICATION**

**STATE OF ARIZONA**

**I, THE UNDERSIGNED**

**OF THE**

COUNTY OF (COUNTY NAME)	Maricopa		
NAME (OWNER OR OFFICIAL)	J. John Mihlik	TITLE	President
COMPANY NAME	Water Utility of Northern Scottsdale, Inc.		

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION  
FOR THE YEAR ENDING**

MONTH	DAY	YEAR
12	31	2005

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.


**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2004 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ <u>32,390</u>

(THE AMOUNT IN BOX AT LEFT  
INCLUDES \$ 1,764  
IN SALES TAXES BILLED, OR COLLECTED)

**\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE  
MUST INCLUDE SALES TAXES BILLED.**

  
\_\_\_\_\_  
SIGNATURE OF OWNER OR OFFICIAL  
  
602-224-0711  
\_\_\_\_\_  
TELEPHONE NUMBER

**SUBSCRIBED AND SWORN TO BEFORE ME**

**A NOTARY PUBLIC IN AND FOR THE COUNTY OF**

**THIS**

18th

**DAY OF**

NOTARY PUBLIC NAME	Jill Karpinski		
COUNTY NAME	Maricopa		
MONTH	April	YEAR	2006

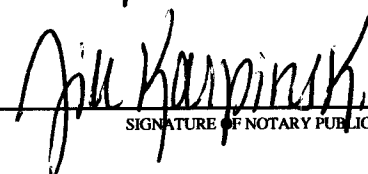
**(SEAL)**

**MY COMMISSION EXPIRES**



**JILL KARPINSKI  
Notary Public - Arizona  
Maricopa County  
Expires 04/15/06**

X

  
\_\_\_\_\_  
SIGNATURE OF NOTARY PUBLIC

Water Utility of Northern Scottsdale  
Balance Sheet  
December 31, 2005

**ASSETS**

<b>PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>\$</b>	<b>1,245,531.88</b>
Construction in Progress		0.00
Accumulated Depreciation		(64,869.12)

<b>TOTAL PROPERTY, PLANT &amp; EQUIP.</b>		<b>1,180,662.76</b>
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**CURRENT ASSETS**

Cash	1,330.13
Accounts Receivable	0.00
Materials & Supp Inventory	0.00
Prepaid Expense	0.00

<b>TOTAL CURRENT ASSETS</b>	<b>1,330.13</b>
-----------------------------	-----------------

**OTHER ASSETS**

Restricted Cash	0.00
Deferred Income Tax	2,591.00
Deposits	0.00
Inter-Co Receivable	60,714.89
Investments	0.00

<b>TOTAL OTHER ASSETS</b>	<b>63,305.89</b>
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<b>TOTAL ASSETS</b>	<b>\$</b>	<b>1,245,298.78</b>
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Water Utility of Northern Scottsdale  
Balance Sheet  
December 31, 2005

**STOCKHOLDER'S EQUITY & LIABILITIES**

**STOCKHOLDER'S EQUITY**

Common Stock	\$ 2,000.00
Additional Paid in Capital	0.00
Retained Earnings	4,432.62
Net Income	(15,535.27)

<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b>(9,102.65)</b>
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**LONG-TERM DEBT**

<b>TOTAL LONG-TERM DEBT</b>	<b>0.00</b>
-----------------------------	-------------

**CURRENT LIABILITIES**

Account Payable	0.00
Customer Security Deposits	2,910.00
Current Portion of Meter Dep	0.00
Current Portion of AIAC	1,716.80
Accrued Property Taxes	650.33
Accrued Sales & Use Tax	198.07
Other Accrued Liabilities	654.39

<b>TOTAL CURRENT LIABILITIES</b>	<b>6,129.59</b>
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**DEFERRED LIABILITIES**

Meter Dep. (Net of C/P)	20,558.00
Inter-Co Payable	0.00
AIAC (Net of C/P)	1,227,713.84

<b>TOTAL DEFERRED LIABILITIES</b>	<b>1,248,271.84</b>
-----------------------------------	---------------------

**TOTAL STOCKHOLDER'S EQUITY  
& LIABILITIES**

<b>\$</b>	<b>1,245,298.78</b>
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Water Utility of Northern Scottsdale  
Income Statement  
For the Twelve Months Ending December 31, 2005

	<u>Current Month</u>	<u>Year to Date</u>
<b>Water Sales</b>	\$ 3,109.00	\$ 29,420.65
<b>Other Operating Revenue</b>	55.98	1,205.47
<b>TOTAL OPERATING REVENUE</b>	<u>3,164.98</u>	<u>30,626.12</u>
<b>OPERATING EXPENSE</b>		
Purchased Power	311.70	4,087.11
Repairs & Maintenance	0.00	961.78
Water Testing & Treat.	15.00	742.91
Outside Services	0.00	1,047.68
Management Fees	440.00	3,608.00
General Office & Admin.	22.26	226.34
Communications	52.77	619.40
Depreciation	3,670.44	44,044.84
Rate Case Expense	0.00	0.00
Bad Debt	0.00	0.00
Regulatory/Permits	0.00	500.91
Property Taxes	437.40	1,312.20
Income Tax Expense	(10,796.00)	(10,796.00)
<b>TOTAL OPERATING EXPENSES</b>	<u>(5,846.43)</u>	<u>46,355.17</u>
<b>EARNINGS (LOSS) FROM OPERATIO</b>	<u>9,011.41</u>	<u>(15,729.05)</u>
<b>OTHER INCOME (EXPENSE)</b>		
Interest Income	0.00	0.00
Interest Expense	(6.22)	(6.22)
Other Income (Expense)	0.00	200.00
Income (Tax) Benefit	0.00	0.00
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<u>(6.22)</u>	<u>193.78</u>
<b>NET EARNINGS (LOSS)</b>	<u>\$ 9,005.19</u>	<u>\$ (15,535.27)</u>

Unaudited

Water Utility of Northern Scottsdale  
Statement of Cash Flow  
For the twelve Months Ended December 31, 2005

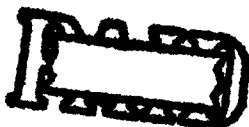
	<u>Current Month</u>	<u>Year to Date</u>
<b>NET EARNINGS (LOSS)</b>	<b>\$ 9,005.19</b>	<b>\$ (15,535.27)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Depreciation & Amort.	3,670.44	44,044.84
Accounts Receivable	(359.91)	838.75
Prepaid Expense	0.00	276.91
Deferred Income Taxes	4,805.00	4,805.00
Accounts Payable	0.00	0.00
Intercompany Payable	(3,372.08)	0.00
Intercompany Receivable	(5,138.47)	(39,716.34)
Accrued Liabilities	1,064.86	1,415.89
<b>TOTAL ADJUSTMENTS</b>	<b>669.84</b>	<b>11,665.05</b>
<b>NET CASH FROM OPERATIONS</b>	<b>9,675.03</b>	<b>(3,870.22)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital Expenditures	(10,533.15)	(218,493.76)
<b>NET CASH FOR (USED) IN INVESTING</b>	<b>10,533.15</b>	<b>218,493.76</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowing	0.00	0.00
Restricted Cash	0.00	0.00
Shares Issued	0.00	0.00
Paid In Capital	0.00	0.00
AIAC	0.00	204,736.50
Proceeds from Sec. Deposits	(420.00)	1,290.00
Proceeds from Meter Deposits	570.00	13,590.50
<b>CASH PROVIDED FOR FINANCING</b>	<b>150.00</b>	<b>219,617.00</b>
<b>NET CASH FLOW</b>	<b>(708.12)</b>	<b>(2,746.98)</b>
<b>Summary</b>		
Cash Balance at End of Period	1,330.13	1,330.13
Cash Balance at Beg. of Period	2,038.25	4,077.11
<b>Net Increase &lt;Decrease&gt; in Cash</b>	<b>\$ (708.12)</b>	<b>\$ (2,746.98)</b>

Unaudited

REFERENCE NO.	DESCRIPTION	INVOICE DATE	INVOICE AMOUNT	DISCOUNT TAKEN	AMOUNT PAID
	Parcel#219-40-255 2 - Full				3.78
	Parcel#219-40-248 8 - Full				3.78
	Parcel#219-40-111 2 - Full				3.98
	Parcel#639-50-000 4 - First				650.33

CHECK DATE	CHECK NO.	PAYEE	DISCOUNT TAKEN	CHECK AMOUNT
10/26/05	636	Maricopa County Treasurer		\$661.87

WATER UTILITY OF  
NORTHERN SCOTTSDALE, INC.  
3800 N. CENTRAL AVE. STE 500  
PHOENIX, AZ 85012  
PH. (602) 224-0711



BANK ONE  
PHOENIX, AZ  
91-2/1221

0636

Memo:

CHECK NO.

DATE

AMOUNT

636

Oct 26, 2005

\*\*\*\*\*\$661.87

Six Hundred Sixty-One and 87/100 Dollars

PAY  
TO THE  
ORDER  
OF:

Maricopa County Treasurer  
PO Box 78574  
Phoenix, AZ 85062-8574

SECURITY FEATURES INCLUDED. DETAILS ON BACK.

AUTHORIZED SIGNATURE

⑈000636⑈ ⑈122100024⑈

2076⑈4809⑈

WATER UTILITY OF NORTHERN SCOTTSDALE, INC.

0636

REFERENCE NO.	DESCRIPTION	INVOICE DATE	INVOICE AMOUNT	DISCOUNT TAKEN	AMOUNT PAID
	Parcel#219-40-255 2 - Full				3.78
	Parcel#219-40-248 8 - Full				3.78
	Parcel#219-40-111 2 - Full				3.98
	Parcel#639-50-000 4 - First				650.33

CHECK DATE	CHECK NO.	PAYEE	DISCOUNT TAKEN	CHECK AMOUNT
10/26/05	636	Maricopa County Treasurer		\$661.87

(21487 = PRTCNTL)



**MARICOPA COUNTY  
TREASURER**

DAVID SCHWEIKERT, TREASURER  
301 W. JEFFERSON ST. - RM 100  
PHOENIX, AZ 85003-2199

To update your mailing address please go to:  
<http://treasurer.maricopa.gov>

PROPERTY DESCRIPTION

TWN/BLK RNC/TR #

GRANITE MOUNTAIN NORTH UNIT 1 LOTS 7 & 8 TRACTS C  
1 & 6 REPLAT FOR 850-11

**MARICOPA COUNTY  
2005 PROPERTY TAX  
STATEMENT**

SIGN UP FOR "PARCEL WATCH"  
AT <http://treasurer.maricopa.gov>

PHONE NUMBERS ON OTHER SIDE  
\$25.00 CHARGE IF CHECK  
FAILS TO CLEAR BANK.

YOUR CHECK IS YOUR RECEIPT.



73 79 \*\*\*\*\*AUTO\*\*B-DIGIT 85012  
WATER UTILITY OF NORTHERN SCOTTSDALE INC  
3800 N CENTRAL AVE STE 770  
PHOENIX, AZ 85012-1913

LIMITED (PRIMARY) VALUES				AREA CODE 000000		FULL CASH (SECONDARY) VALUES		SPECIAL DISTRICT (VALUE/ACRES/SQ. FT.) = ASSESSED		COMPARATIVE		2005 DISTRIBUTION		
TYPE	UNITED	%	ASSESSED	TYPE	FULL CASH	%	ASSESSED	TYPE	DIST. #	SEGA AMT	RATE / 100	2005 AMT DUE		
LAND / BUILDING PERSONAL PROPERTY EXEMPTION		466	16.0					FLOOD CAWCD OVERRIDES FIRE DISTRICT ASSISTANCE LIBRARY HEALTHCARE DISTRICT "BONDS" - COUNTY - CITY - SCHOOLS - COMMUNITY COLLEGE SUBTOTAL			.82 .31	11971 04358	.89 0.33	
PRIMARY TOTAL		466	75		500	16.0	80				1.25 .63	18090 6936	1.36 .68	
				SUBTOTAL										
				SECONDARY										
LAND / BUILDING PERSONAL PROPERTY EXEMPTION								FLOOD CAWCD OVERRIDES FIRE DISTRICT ASSISTANCE LIBRARY HEALTHCARE DISTRICT "BONDS" - COUNTY - CITY - SCHOOLS - COMMUNITY COLLEGE SUBTOTAL			.16 .10	2119 1200	.16 .10	
SECONDARY TOTAL					500		80				0.04 .10	0069 0521 1206	.04 .10	
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**MARICOPA COUNTY  
TREASURER**

DAVID SCHWEIKERT, TREASURER  
301 W JEFFERSON ST - RM 100  
PHOENIX, AZ 85003-2199

To update your mailing address please go to:  
<http://treasurer.maricopa.gov>

PROPERTY DESCRIPTION

SEC/LOT TWN/BLK RNG/TR #

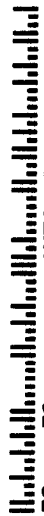
GRANITE MOUNTAIN RANCH UNIT 2 REPLAT MOR 848-18

**MARICOPA COUNTY  
2005 PROPERTY TAX  
STATEMENT**

SIGN UP FOR "PARCEL WATCH"  
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PHONE NUMBERS ON OTHER SIDE  
\$25.00 CHARGE IF CHECK  
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73 79 \*\*\*\*\*AUTO\*\*S-DIGIT 88012  
WATER UTILITY OF NORTHERN SCOTTSDALE INC  
3800 N CENTRAL AVE STE 770  
PHOENIX, AZ 85012-1913

LIMITED (PRIMARY) VALUES				PRIMARY	COMPARATIVE ESEA AMT	RATE DISTRIBUTION	
TYPE	UNITED	%	ASSESSED			RATE / 100	2005 AMT DUE
LAND / BUILDING PERSONAL PROPERTY EXEMPTION		466	16.0	COUNTY EDUCATION EQUALIZATION CITY	12.51	11971 04358	.89 0.33
PRIMARY TOTAL		466		SCHOOL COUNTY EDUCATION COMMUNITY COLLEGE	1.25 .65	18090 8936	1.38 .68
AREA CODE 000000				SUBTOTAL	3.04	42355	3.25
FULL CASH (SECONDARY) VALUES				SECONDARY			
TYPE	UNIT CASH	%	ASSESSED				
LAND / BUILDING PERSONAL PROPERTY EXEMPTION		500	16.0	FLOOD CAWCD OVERRIDES FIRE DISTRICT ASSISTANCE LIBRARY HEALTHCARE DISTRICT BONDS** - COUNTY - CITY - SCHOOLS - COMMUNITY COLLEGE	18.10 .04 0.00 10.40	2119 1200 0069 0521 1206 0000 1379 8454	.16 .10 .04 .10 0.00 12.52
SECONDARY TOTAL		500		SUBTOTAL			
SPECIAL DISTRICT (VALUE/ACRES(SQ FT) * ASSESSED							



**MARICOPA COUNTY  
TREASURER**

DAVID SCHWEIKERT, TREASURER  
301 W JEFFERSON ST - RM 100  
PHOENIX, AZ 85003-2199

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SEC/LOT

TWN/BLK

RNG/TR

GRANITE MOUNTAIN RANCH UNIT 1 RCR 844-41

**MARICOPA COUNTY  
2005 PROPERTY TAX  
STATEMENT**

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73 79 \*\*\*\*\*AUTO\*\*5-DIGIT 85012  
WATER UTILITY OF NORTHERN SCOTTSDALE INC  
3800 N CENTRAL AVE STE 770  
PHOENIX, AZ 85012-1813

LIMITED (PRIMARY) VALUES				PRIMARY	COMPARATIVE REQ AMT	TAX DISTRIBUTION	
TYPE	UNITED	%	ASSESSED			RATE / 100	2005 AMT DUE
LAND / BUILDING PERSONAL PROPERTY EXEMPTION	500	18.0	80	COUNTY EDUCATION EQUALIZATION CITY	.82 .35	11971 04358	.96 0.35
PRIMARY TOTAL	500		80	SCHOOL COUNTY EDUCATION COMMUNITY COLLEGE	1.44 .85	18080 8936	1.44 .71
AREA CODE 000000				SUBTOTAL	3.40	43355	3.45
FULL CASH (SECONDARY) VALUES				SECONDARY			
TYPE	FULL CASH	%	ASSESSED				
LAND / BUILDING PERSONAL PROPERTY EXEMPTION	500	18.0	80	FLOOD CAWCD OVERRIDES FIRE DISTRICT ASSISTANCE LIBRARY HEALTHCARE DISTRICT "BONDS"	.18 .15 04	2119 1200 0089 0521 1208	.18 .10 .04 .10 0.00
SECONDARY TOTAL	500		80	- COUNTY - CITY - SCHOOLS - COMMUNITY COLLEGE SUBTOTAL	0.00 .10 .40	0000 1379 8484	0.00 .12 .52
SPECIAL DISTRICT (VALUE/ACRES(SQ. FT)) = ASSESSED				DIST #			